

SANPETE COUNTY WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2005

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Kimball & Roberts

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ACCOUNTANT'S REPORT

The Honorable Board Members
Sanpete County Water Conservancy District
Manti, Utah 84642

We have reviewed the accompanying financial statements of the governmental activities of Sanpete County Water Conservancy District as of and for the year ended December 31, 2005, which comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Sanpete County Water Conservancy District.

A review consists principally of inquiries of District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 23, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



KIMBALL & ROBERTS, P. C.

Certified Public Accountants

July 3, 2006
Richfield, Utah

Sanpete County Water Conservancy District Management's Discussion and Analysis

This discussion and analysis of Sanpete County Water Conservancy District (District) financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of Sanpete County Water Conservancy District is to develop water for Sanpete County.

Financial Highlights:

- The District has one depreciable asset, a water metering system. It has expended \$82,731 on the narrows dam project in 2005. This is in addition to previous years expenditures on this project of \$2,735,176.
- At the close of the current year, the District reported ending Net Assets of \$3,663,043 of which \$611,834 was restricted for capital projects.
- The District does not have any full-time employees and spent 58% on operating expenditures leaving 42% of the funds for capital additions on the narrows project in upper Gooseberry, east of Fairview, Utah.
- The District generates revenues through property tax assessments in Sanpete County. This year the District received \$267,327 in property taxes and \$50,879 in Fee-In-Lieu of taxes. It also earned \$13,087 in unrestricted investment earnings (Interest) on its idle funds.

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to Sanpete County Water Conservancy District financial statements. The basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with a difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities present information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the year.

The district has two governmental funds, the general fund and a capital projects fund. The general fund at year end has unreserved fund balance of \$252,696. The Capital project fund has a fund balance of \$611,834, which is restricted for planned capital projects. The unreserved fund balance in the general fund is available for expenditures in future years budgets. Unreserved fund balance is 132% of total expenditures in the general fund.

Reporting the District as a Whole

The District realizes revenues from several sources; 1)property tax revenue
2)fee-in-lieu taxes and 3) unrestricted investment earnings.

Condensed Financial Statements:

A comparative analysis is provided for 2005 and 2004.

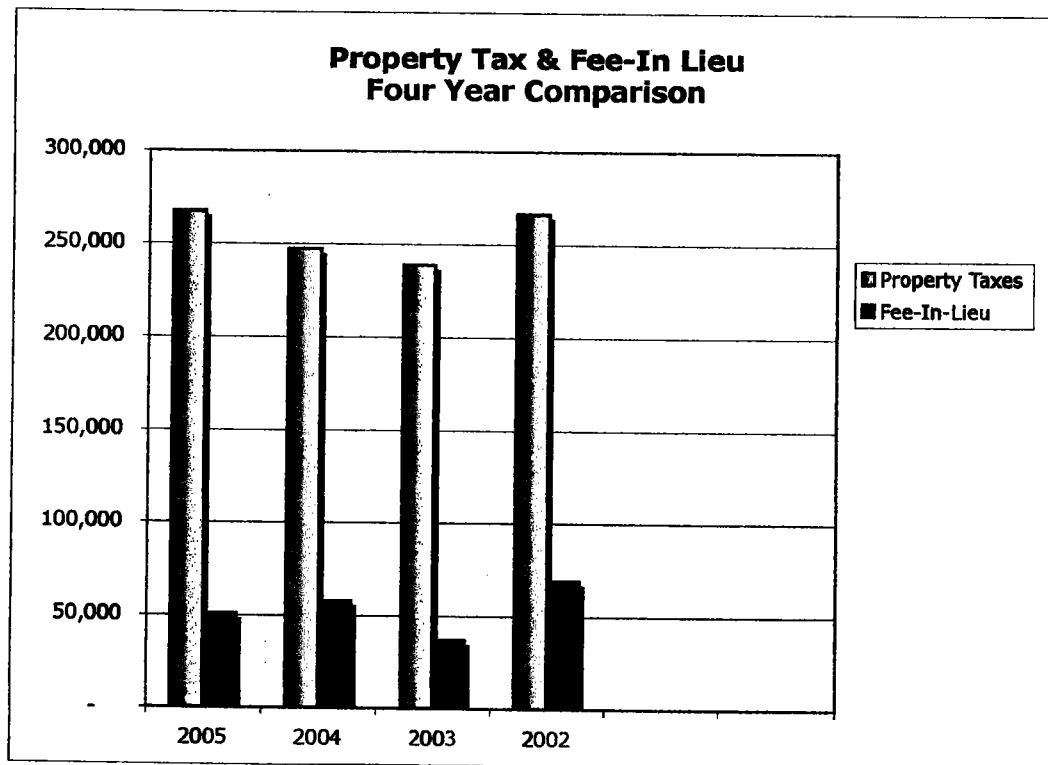
| | 2005 | 2004 | | 2005 | 2004 |
|---------------------|-----------|-----------|----------------------|-----------|-----------|
| Assets: | | | Revenues: | | |
| Current | 875,970 | 724,350 | Property Taxes | 267,327 | 247,532 |
| Non-Current | 2,848,079 | 2,767,123 | Other Taxes | 52,301 | 57,897 |
| Total Assets | 3,724,049 | 3,491,473 | Investment Earnings | 13,087 | 10,758 |
| | | | Total Revenues | 332,715 | 316,187 |
| Liabilities: | | | Expenditures: | | |
| Current | 11,440 | - | Current | 111,579 | 130,018 |
| Long-Term | 49,566 | 49,566 | Capital | 82,731 | 43,985 |
| Total Liabilities | 61,006 | 49,566 | Total Expenditures | 194,310 | 174,003 |
| Net Assets: | | | | | |
| Invested in | | | | | |
| Capital Assets | 2,798,513 | 2,717,557 | | | |
| Restricted | 611,834 | 560,208 | Change in Net Assets | 221,136 | 186,170 |
| Unrestricted | 252,696 | 164,142 | Beginning Net Assets | 3,441,907 | 3,255,737 |
| Net Assets | 3,663,043 | 3,441,907 | Ending Net Assets | 3,663,043 | 3,441,907 |

Contacting the District

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Secretary, David R. Cox, 90 West Union, Manti, UT 84642.

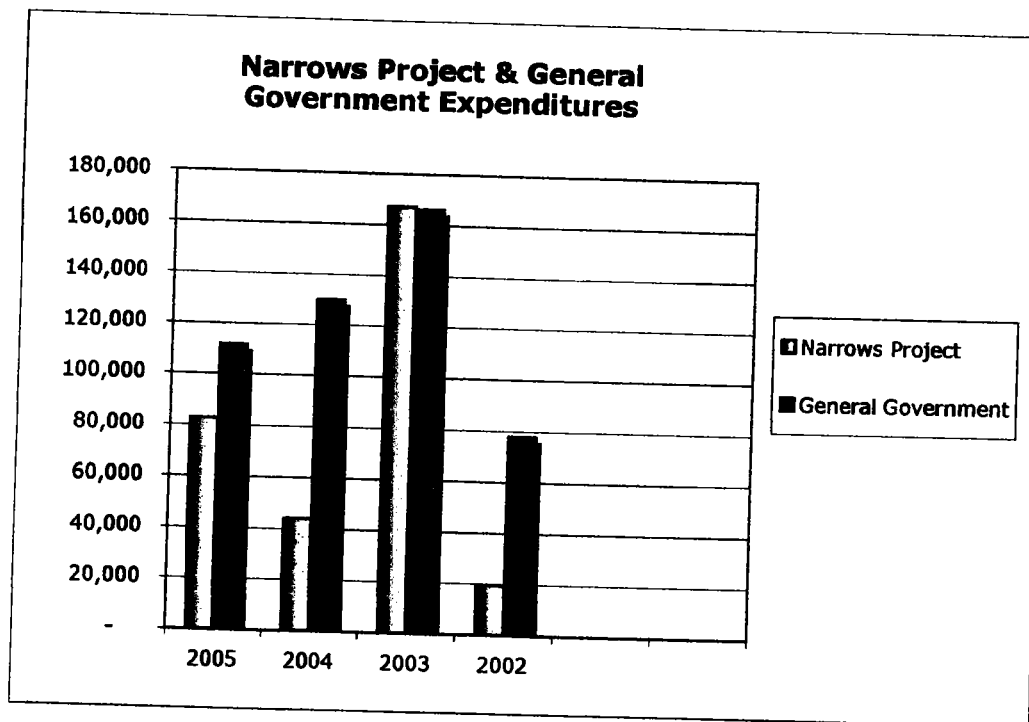
**Sanpete County Water Conservancy District
Revenue - Four Year Comparison**

| | 2005 | 2004 | 2003 | 2002 |
|---------------------|----------------|----------------|----------------|----------------|
| Property Taxes | 267,327 | 247,532 | 238,950 | 266,631 |
| Fee-In-Lieu | 50,879 | 57,897 | 36,818 | 69,327 |
| Sundry | 1,422 | - | 9,548 | 3,735 |
| Investment Earnings | 13,087 | 10,758 | 6,524 | 11,217 |
| Total | 332,715 | 316,187 | 291,840 | 350,910 |



**Sanpete County Water Conservancy District
Expenditures - Four Year Comparison**

| | 2005 | 2004 | 2003 | 2002 |
|--------------------|-------------|-------------|-------------|-------------|
| Narrows Project | 82,731 | 43,985 | 167,234 | 19,636 |
| General Government | 111,579 | 130,018 | 166,037 | 77,796 |
| Total | 194,310 | 174,003 | 333,271 | 97,432 |



(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF NET ASSETS**

December 31, 2005

| | <u>Governmental Activities</u> |
|---------------------------------------------------|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and Investments | 817,534 |
| Taxes Receivable | <u>58,436</u> |
| Total Current Assets | <u>875,970</u> |
| Noncurrent Assets: | |
| Capital Assets (Net of Accumulated Depreciation): | |
| Water Metering System | 30,172 |
| Construction-In-Progress | <u>2,817,907</u> |
| Total Noncurrent Assets | <u>2,848,079</u> |
| TOTAL ASSETS | <u>3,724,049</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 11,440 |
| Noncurrent Liabilities: | |
| Note Payable - Due More Than One Year | <u>49,566</u> |
| TOTAL LIABILITIES | <u>61,006</u> |
| NET ASSETS | |
| Invested In Capital Assets, Net of Related Debt | 2,798,513 |
| Restricted for Capital Projects | 611,834 |
| Unrestricted | <u>252,696</u> |
| TOTAL NET ASSETS | <u>3,663,043</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>3,724,049</u></u> |

See accompanying notes and accountant's report.

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2005

| | | <u>Program Revenues</u> | | Net (Expense) |
|----------------------------------|-----------------|-------------------------|----------------------|-------------------------|
| | | | | Revenue and |
| | <u>Expenses</u> | <u>Charges for</u> | <u>Operating</u> | Changes in |
| | | <u>Services</u> | <u>Grants/</u> | Net Assets |
| | | | <u>Contributions</u> | |
| Functions/Programs: | | | | Governmental |
| | | | | Activities |
| Governmental Activities: | | | | |
| Water Conservancy Operations | <u>111,579</u> | <u>-</u> | <u>-</u> | <u>(111,579)</u> |
| TOTAL REVENUES | <u>111,579</u> | <u>-</u> | <u>-</u> | <u>(111,579)</u> |
| General Revenues: | | | | |
| Property Taxes | | | | 267,327 |
| Other Taxes | | | | 50,879 |
| Other Income | | | | 1,422 |
| Unrestricted Investment Earnings | | | | <u>13,087</u> |
| Total General Revenues | | | | <u>332,715</u> |
| Changes in Net Assets | | | | 221,136 |
| Net Assets - Beginning | | | | <u>3,441,907</u> |
| Net Assets - Ending | | | | <u><u>3,663,043</u></u> |

See accompanying notes and accountant's report.

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2005

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|------------------------------------------|-------------------------|--------------------------------------|-----------------------------------------|
| ASSETS | | | |
| Cash and Investments: | | | |
| Restricted | - | 611,834 | 611,834 |
| Unrestricted | 205,700 | - | 205,700 |
| Taxes Receivable | <u>58,436</u> | <u>-</u> | <u>58,436</u> |
| TOTAL ASSETS | <u><u>264,136</u></u> | <u><u>611,834</u></u> | <u><u>875,970</u></u> |
| LIABILITIES AND FUND EQUITY | | | |
| Liabilities: | | | |
| Accounts Payable | <u>11,440</u> | <u>-</u> | <u>11,440</u> |
| Fund Equity: | | | |
| Fund Balance: | | | |
| Restricted For Capital Projects | - | 611,834 | 611,834 |
| Undesignated | <u>252,696</u> | <u>-</u> | <u>252,696</u> |
| Total Fund Equity | <u>252,696</u> | <u>611,834</u> | <u>864,530</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u><u>264,136</u></u> | <u><u>611,834</u></u> | <u><u>875,970</u></u> |

See accompanying notes and accountant's report.

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2005

| | |
|-----------------------------------------------|---------|
| Total Fund Balances - Governmental Fund Types | 864,530 |
|-----------------------------------------------|---------|

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

| | | |
|--------------------------|------------------|--|
| Water Metering System | 30,172 | |
| Construction-In-Progress | <u>2,817,907</u> | |

| | |
|-----------------------------|-----------|
| Total (Net of Depreciation) | 2,848,079 |
|-----------------------------|-----------|

Long-term liabilities, including bonds payable, are not due and payable in
the current period and, therefore, are not reported in the funds:

| | |
|-----------------------|-----------------|
| Revenue Bonds Payable | <u>(49,566)</u> |
|-----------------------|-----------------|

| | |
|-------------------------------------|-------------------------|
| Net Assets of Government Activities | <u><u>3,663,043</u></u> |
|-------------------------------------|-------------------------|

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2005

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|---------------------------------------------------------|-----------------|--------------------------|--------------------------------|
| Revenues: | | | |
| Property Taxes | 238,508 | - | 238,508 |
| Delinquent Property Taxes | 28,818 | - | 28,818 |
| Fee-In-Lieu | 50,879 | - | 50,879 |
| Other Income | 1,422 | - | 1,422 |
| Interest | 13,087 | - | 13,087 |
| Total Revenues | 332,714 | - | 332,714 |
| Expenditures: | | | |
| Current Expenditures: | | | |
| Engineering Fees | 14,911 | - | 14,911 |
| Engineering Fees - Narrows | 59,997 | - | 59,997 |
| Attorney Fees - Narrows | 22,734 | - | 22,734 |
| Attorney Fees | 22 | - | 22 |
| Cloud Seeding | 14,570 | - | 14,570 |
| Board of Directors Expense | 2,750 | - | 2,750 |
| Secretary Expenses | 500 | - | 500 |
| Insurance and Bonds | 464 | - | 464 |
| Supplies | 109 | - | 109 |
| Payroll taxes | 249 | - | 249 |
| Subscriptions | 250 | - | 250 |
| Advertising | 390 | - | 390 |
| Administrative Expenses | 2,023 | - | 2,023 |
| Public Relations | 69,882 | - | 69,882 |
| Mosquito Abatement | 3,500 | - | 3,500 |
| Other | 183 | - | 183 |
| Total Expenditures | 192,534 | - | 192,534 |
| Excess of Revenues Over (Under) Expenditures | 140,180 | - | 140,180 |
| Other Financing Sources (Uses): | | | |
| Transfers In (Out) | (51,626) | 51,626 | - |
| Net Change in Fund Balance | 88,554 | 51,626 | 140,180 |
| Fund Balance - Beginning | 164,142 | 560,208 | 724,350 |
| Fund Balance - Ending | 252,696 | 611,834 | 864,530 |

See accompanying notes and accountant's report.

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

| | |
|---------------------------------------------------------|---------|
| Net Changes in Fund Balances - Total Governmental Funds | 140,180 |
|---------------------------------------------------------|---------|

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

| | | |
|----------------|----------------|---------------|
| Capital Outlay | 82,731 | |
| Depreciation | <u>(1,775)</u> | |
| Total | | <u>80,956</u> |

| | |
|--------------------------------------------------|-----------------------|
| Changes In Net Assets of Governmental Activities | <u><u>221,136</u></u> |
|--------------------------------------------------|-----------------------|

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sanpete County Water Conservancy District was organized in 1961 for the purpose of developing water for the County.

A. Reporting Entity

For financial reporting purposes, Sanpete County Water Conservancy District has included all funds. The District has also considered all potential component units for which it is financial accountable and that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

As required by generally accepted accounting principles, these financial statements present Sanpete County Water Conservancy District, the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Water Metering System

25 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the District by Sanpete County and remitted to the District shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

NOTE 2 - BUDGETARY COMPLIANCE

Excess of Expenditures over Appropriations - The Fiscal Procedures Act requires expenditures be restricted to authorized budgets. The statement of revenues, expenditures and changes in fund balance, budget and actual, identifies the accounts which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end the carrying amount of the Districts deposits was \$817,534 and the bank balances were \$871,900. Of this amount \$200,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of December 31, 2005, consist of the following:

| | <u>Fair Value</u> |
|-----------------|-------------------|
| Demand Deposits | <u>817,534</u> |

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

| | |
|----------------------------------------|----------------|
| Governmental Activities - Unrestricted | 205,700 |
| Governmental Activities - Restricted | <u>611,834</u> |
| Total Cash and Cash Equivalents | <u>817,534</u> |

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, \$671,900 of the local government's bank balances of \$871,900 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The PTIF pool has not been rated.

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. The District deposits in two institutions, Far West Bank and Moroni Feed Credit Union.

NOTE 4 - TAXES RECEIVABLES

Taxes receivable are funds held by Sanpete County due to Sanpete County Water Conservancy District at December 31, 2005.

NOTE 5 - CONSTRUCTION IN PROGRESS

Narrows:

Construction in Progress - Narrows represents legal, engineering, and construction costs associated with the anticipated building of a dam in Upper Gooseberry, east of Fairview, Utah.

NOTE 6 - CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2005, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-------------------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Construction-In-Progress | 2,735,176 | 82,731 | - | 2,817,907 |
| Capital Assets Being Depreciated: | | | | |
| Water Metering System | 44,372 | - | - | 44,372 |
| Less Accumulated Depreciation For: | | | | |
| Water Metering System | 12,425 | 1,775 | - | 14,200 |
| Total Capital Assets Being Depr. (Net) | 31,947 | (1,775) | - | 30,172 |
| Governmental Activities Capital Assets (Net) | <u>2,767,123</u> | <u>80,956</u> | <u>-</u> | <u>2,848,079</u> |

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation was charged to functions of the Government as follows:

| | |
|--------------|-----------------|
| General Fund | <u>1,775.00</u> |
|--------------|-----------------|

NOTE 7 - NOTE PAYABLE DIVISION OF WATER RESOURCES

On May 1, 1994, the State of Utah, Department of Natural Resources, Division of Water Resources, approved funding to provide financial assistance for completion of the final Environmental Impact Statement for the Narrows Project in Carbon and Sanpete Counties.

The State approved a \$75,000 loan to be repaid when the Narrows Dam is constructed. At this time there are no terms set for repayment, nor has an interest rate been set. On November 21, 1994, the District received an advance from the State in the amount of \$52,465, leaving an undisbursed approved amount of \$22,535. Additional funds of \$22,101 were advanced during 1995. The total amount of advanced funds at December 31, 1995 was \$74,566. During 1996 the District repaid \$25,000 leaving a balance due of \$49,566. These funds are advanced upon submission of approved expenditures for the Environmental Impact Statement. The advanced funds of \$49,566 are shown as a note payable at December 31, 2005.

The following is statement of changes in the note payable:

| | Balance December 31, 2004 | Additions | Deletions | Balance December 31, 2005 |
|-----------------------------------------------|---------------------------------|-----------|-----------|---------------------------------|
| Note Payable - Division of Water Resources | <u>49,566</u> | <u>-</u> | <u>-</u> | <u>49,566</u> |

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

(This page contains no information and
is used to assist in formatting, for easier reading)

**SANPETE COUNTY WATER CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------------|-------------------------|----------------|-----------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Property Taxes | 170,569 | 170,569 | 238,508 | 67,939 |
| Fee-In-Lieu | 38,360 | 38,360 | 50,879 | 12,519 |
| Delinquent Property Taxes | 21,961 | 21,961 | 28,818 | 6,857 |
| Other Income | - | - | 1,422 | 1,422 |
| Interest | 13,087 | 13,087 | 13,087 | - |
| | | | | |
| Total Revenues | <u>243,977</u> | <u>243,977</u> | <u>332,714</u> | <u>88,737</u> |
| | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Attorney Fees | 22,756 | 22,756 | 22,756 | - |
| Engineering Fees | 74,908 | 74,908 | 74,908 | - |
| Board of Directors Expenses | 2,750 | 2,750 | 2,750 | - |
| Secretary Expenses | 500 | 500 | 500 | - |
| Insurance and Bonds | 464 | 464 | 464 | - |
| Supplies | 109 | 109 | 109 | - |
| Cloud Seeding | 14,570 | 14,570 | 14,570 | - |
| Construction and Labor | 51,625 | 51,625 | - | 51,625 |
| Payroll Taxes | 249 | 249 | 249 | - |
| Subscriptions | 250 | 250 | 250 | - |
| Advertising | 391 | 391 | 391 | - |
| Public Relations | 69,882 | 69,882 | 69,882 | - |
| Administrative Expenses | 2,023 | 2,023 | 2,023 | - |
| Mosquito Abatement | 3,500 | 3,500 | 3,500 | - |
| Other | - | - | 183 | (183) |
| | | | | |
| Total Expenditures | <u>243,977</u> | <u>243,977</u> | <u>192,535</u> | <u>51,442</u> |
| | | | | |
| Excess Revenues Over (Under) | | | | |
| Expenditures | <u>-</u> | <u>-</u> | 140,179 | <u>140,179</u> |
| | | | | |
| Other Financing Sources (Uses) | | | | |
| Transfers In (Out) | | | <u>(51,625)</u> | |
| | | | | |
| Net Changes In Fund Balance | | | 88,554 | |
| | | | | |
| Fund Balance - Beginning of Year | | | <u>164,142</u> | |
| | | | | |
| Fund Balance - End of Year | | | <u>252,696</u> | |